

Message Text

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SUBJ: UN FINANCES - UN PROGRAM BUDGET PROJECTIONS

VIENNA FOR (UNIDO)

1. IN RECENT APPEARANCE BEFORE ACABQ USYG DAVIDSON PROVIDED INFO ON "PLANNING TARGETS" FOR 1976-79 (EXCLUDING UNEF/UNDOF). DAVIDSON EMPHASIZED THAT INFO WAS PRELIMINARY IN NATURE, PROBABLY ON THE CONSERVATIVE SIDE, AND NOT ALL FACTORS FULLY TAKEN INTO ACCOUNT.

2. FOR CURRENT BIENNIUM, APPROPRIATION OF 540 MILLION LIKELY TO REQUIRE SUPPLEMENTAL OF 45 MILLION TO ACCOMMODATE EFFECTS OF INFLATION AND CURRENCY FLUCTUATION--OR NEW BIENNIAL TOTAL OF 585 MILLION. THIS PROJECTION EXCLUDES POTENTIAL ADD-ONS RESULTING FROM DECISIONS OF VARIOUS BODIES (ESPECIALLY ECOSOC AND ITS SUBSIDIARIES) INCLUDING 6TH SPECIAL SESSION, 29TH AND 30TH UNGA. WHILE DAVIDSON WOULD NOT SPECULATE ON AMOUNT LIKELY TO BE REQUIRED TO BE ADDED TO BUDGET AS A RESULT OF LATTER, HE CONTINUED THAT IT PROBABLY WOULD BE SIGNIFICANT SINCE GOVERNMENTS TO DATE HAVE NOT

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DEMONSTRATED RESTRAINT IN OPTING FOR NEW AND/OR EXPANDED PROGRAMS.

HE WENT ON TO SAY THAT DILEMMA FACING SYG IS HOW TO HOLD DOWN BUDGET, WHICH MANY MEMBER STATES DEMANDING (IN PARTICULAR MOST MAJOR CONTRIBUTORS), WHEN AT SAME TIME MANY OF THESE SAME MEMBERS IN OTHER UN FORUMS ARE PRESSING FOR INCREASED EXPENDITURES: BASIC PROBLEM HE SAID WAS LACK OF COORDINATION WITHIN MEMBER STATES THEMSELVES AND UNTIL SUCH TIME AS THEY RESOLVED THIS PROBLEM SYG WAS PLACED IN AN IMPOSSIBLE POSITION.

3. WITH REVISED FIGURE OF 585 MILLION AS BASE, PLANNING TARGET FOR 1976-77 IS \$670 MILLION BASED ON: (A) INCLUSION OF ONE PERCENT PROGRAM GROWTH IN RESPONSE TO PARA 3 OF RES 3199 (XXVIII); (B) ONE PERCENT CONTINGENCY FOR ADD-ONS BY UNGA DURING BIENNIUM; (C) RATE OF INFLATION OF 5.5 PERCENT YEARLY; AND (D) ASSUMPTION THAT CURRENCY STABILITY WILL BE REALIZED AND SERIOUS FLUCTUATIONS NON-EXISTENT. RE ITEMS (A) AND (B) ABOVE, DAVIDSON SAID THESE COMPARED WITH 2 PERCENT GROWTH EACH IN RECENT YEARS AND REDUCTION TO ONE PERCENT NOT LIKELY TO HOLD; ON ITEM (C) HE SAID SUCH A LOW RATE UNLIKELY; AND ASSUMPTION IN ITEM (D) WAS PROBABLY TOO OPTIMISTIC.

4. USING SAME ASSUMPTIONS AS ABOVE AND 1976-77 BASE OF \$670 MILLION, DAVIDSON SAID TARGET FOR 1978-79 WAS \$777 MILLION. HE POINTED OUT THAT PROJECTED BUDGET FOR 1976-79 OF \$1.4 BILLION WAS CERTAIN TO TOUCH OFF FIREWORKS IN UPCOMING UNGA IF THIS INFO PROVIDED BY SYG, BUT FELT THAT SYG HAD OBLIGATION TO INFORM MEMBER STATES OF FUTURE PROJECTIONS. WHILE PROJECTIONS SHOWED \$100 MILLION INCREASE FOR EACH BIENNIUM, DAVIDSON REPEATEDLY EMPHASIZED THAT HIS FIGURES WOULD HAVE TO BE REVISED IN ORDER TO TAKE INTO ACCOUNT SUBSEQUENT DEVELOPMENTS; HOWEVER, GIVEN MAGNITUDE OF FIGURES HE DID NOT WANT TO "FRIGHTEN" ACABQ AT THIS STAGE WITH WHAT HE CONSIDERED TO BE MORE REALISTIC PROJECTIONS (READ HIGHER FIGURES).

5. DAVIDSON THEN ELABORATED ON DILEMMA OF SYG MENTIONED ABOVE, INCLUDING CONTINUED PROLIFERATION OF UN BODIES, PROPENSITY OF MEMBER STATES TO INTRODUCE "NEW INITIATIVES" WITHOUT CONSIDERING FULLY THEIR IMPACT, ESTABLISHING SECT UNITS IN NEW LOCATIONS FOR "POLITICAL" REASONS WITHOUT CONSIDERATION TO COST, AND FAILURE OF MEMBER STATES TO RECOGNIZE THAT "EACH PROGRAM INITIATIVE SPAWNS ANOTHER."

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6. IN MAKING COMPREHENSIVE PRESENTATION AND RESPONDING TO QUESTIONS FROM ACABQ MEMBERS, DAVIDSON WAS NOT ONLY CANDID, BUT EXPRESSED SERIOUS CONCERN OVER PICTURE HE HAD PAINTED. HE WAS PARTICULARLY PERLEXED WITH HOW TO HANDLE SITUATION, ESPECIALLY SINCE PREVIOUSLY HE HAD EXPRESSED INTENTION OF SYG NOT TO SEEK 1974-75 SUPPLEMENTAL APPROPRIATION THIS YEAR AND NOW THIS PROBABLY WOULD BE NECESSARY GIVEN INCREASED DEMANDS AND WORSENING CASH SITUATION. WHILE AD-

MITTING THAT SYG COULD TAKE STEPS TO REDUCE FINANCIAL GPQUIRE-
MENT, DAVIDSON EMPHASIZED THAT "AREA OF DISCRETION" OF SYG WAS
EXTEMEY LIMITED AND MEMBER STATES WOULD HAVE TO FACE UP TO
SITUATION AND PROVIDE GUIDANCE TO SYG.
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